



# EDWARD LEONARD

## Franklin County Treasurer

### Saving for College

"A Journey of a thousand miles must begin with a single step." - Chinese Proverb

We all want children to have a good education. But paying for it can Become a nightmare if you fail to plan ahead. Some parents think that grants or scholarships will be available to cover everything. Guess again. According to "*FinAid: The Smart Student Guide to Financial Aid*":

- Only 7% of students actually receive private sector scholarships.
- The chances of winning a scholarship are 1 in 15.
- Pell Grants cover only 10% of current costs at four-year private colleges.
- Work-study grants cover only 10-20% of college costs.

How much will a college education cost? According to the most recent figures from the College Board, which is responsible for conducting the SAT test:

- Average public four-year college tuition costs for the 2004-2005 school year were \$5,132.
- Average private four-year college tuition costs for the 2004-2005 school year were \$20,082.

Adding in the costs of room and board, those annual average costs jumped to \$11,354 for public schools and \$27,516 for private schools.

### Ways to Save for College:

According to MSN Family, the best ways to save for college are:

- **529 COLLEGE SAVINGS PLANS** - A 529 college savings plan is an investment account that allows you to set aside money for your child's education and let it grow tax-free. One such plan is the Ohio Tuition Trust Authority's College Advantage 529 Savings Plan.
- **PREPAID TUITION PLANS** - Prepaid tuition plans are investment accounts that let you pay for a child's future college tuition (or a portion of it) at today's prices.
- **COVERDELL EDUCATION SAVINGS ACCOUNT** - A Coverdell account is like an IRA, except that it is used for education, not for retirement purposes.
- **CUSTODIAL ACCOUNTS** - Custodial Accounts are savings accounts in your child's name that you control (if you are the custodian) until the child reaches legal adulthood (18 to 21 years of age).

### How to make it Easier to Save:

- Save early and often.
- Save as much as you can
- Save regularly
- Make saving automatic
- Earmark savings for college

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- **IRA AND ROTH IRA ACCOUNTS** - A traditional IRA and a Roth IRA are both investment accounts that allow you to save money for retirement or college while avoiding significant taxes.
- **US SAVINGS BONDS** - These are good vehicles to save for college. The IRS regulations give you the option of claiming the interest annually rather than when the bond matures. If you make this claim during the year the bond is purchased, your child will not have to pay any tax on its earnings at the point when the bond matures. Check with your accountant on this money saving option.

For more information, visit the following websites:

- [www.finaid.org](http://www.finaid.org)
- [www.collegesavings.org](http://www.collegesavings.org)
- [www.collegeadvantage.com](http://www.collegeadvantage.com)

